



STAFF REPORT ACTION REQUIRED

Healthy Vending Criteria - Cold Drink Vending Request for Proposal

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| Date: | April 29, 2010 |
| To: | Government Management Committee |
| From: | Brenda Patterson, General Manager, Parks, Forestry and Recreation |
| Wards: | All Wards |
| Reference Number: | P:/2010/Cluster A/PFR/GM31-052010-AFS#11819 |

SUMMARY

City Council, at its meetings of July 19, 20, 21 and 26, 2005, adopted a motion recommending that the General Manager of Parks, Forestry and Recreation (PFR) report to Council through Committee for approval of the healthy cold drink vending criteria for the next Request for Proposal. The purpose of this report is to present the recommended criteria for the upcoming Cold Drink Vending and Pouring Rights Request for Proposal (RFP).

RECOMMENDATIONS

The General Manager of Parks, Forestry and Recreation recommends that the healthy vending criteria for the Cold Drink Vending and Pouring Rights RFP be as follows:

1. For a term of five years commencing November 1, 2010 to October 31, 2015;
2. Energy Drinks shall not be sold in Parks, Forestry and Recreation vending machines;
3. During the first two years of the Licence Agreement, from November 1, 2010 to October 31, 2012, cold drink vending sales and distribution be limited to 50% healthy vending:

- a. unflavoured water where permissible until December 31, 2011, 2% flavoured and unflavoured milk or fortified soy beverages, and 100% juice or vegetable beverages will be considered as healthy products; and
 - b. with the exception of unflavoured water where permissible, cold drink products must be delivered in a serving size no greater than 355ml;
4. Commencing in the third year of the Licence Agreement, cold drink vending sales and distribution be increased to 75% healthy vending from November 1, 2012 to October 31, 2014:
- a. 2% flavoured and unflavoured milk or fortified soy beverages and 100 % juice or vegetable beverages will be considered as healthy products; and
 - b. cold drink products must be delivered in a serving size no greater than 355ml;
5. Commencing in the fifth year of the Licence Agreement, cold drink vending sales and distribution be increased to 100% healthy cold drink vending from November 1, 2014 to October 31, 2015:
- a. 2% flavoured and unflavoured milk or fortified soy beverages and 100% juice or vegetable beverages will be considered as healthy products; and
 - b. cold drink products must be delivered in a serving size no greater than 355ml; and
6. The Medical Officer of Health be authorized to determine whether any new beverage(s) can be considered as healthy.

Financial Impact

The current cold drink vending Licence Agreement expires after October 31, 2010. The budgeted revenue from the Agreement, for contract year November 1, 2009 to October 31, 2010, is \$330,000 consisting of guaranteed payments of \$260,000 from rights fees plus commissions of approximately \$70,000. The actual revenues are consistent with the budgeted amounts.

Cold Drink Revenue

| Contract Year | Estimated Commissions | Rights Fee | Total Cold Drink Vending Revenue |
|---|------------------------------|-------------------|---|
| November 1, 2009 to October 31, 2010 | \$70,000 | \$260,000 | \$330,000 |

Table 1

The recommended RFP criteria will continue to provide 50% healthy cold drink vending during the first two years of the new Licence Agreement and will increase to 75% healthy vending in years three and four and 100% in the final year.

Due to the reduction in beverage serving sizes and the increased healthy drink vending percentage, Parks, Forestry and Recreation's revenues may be impacted with future Licence Agreements. Revenue changes resulting from a new Licence Agreement will be reflected in Park, Forestry and Recreation's future Operating Budget submissions.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

City Council at its meetings of July 19, 20, 21 and 26, 2005 adopted a motion recommending that the General Manager of Parks, Forestry and Recreation (PFR) report to Council through Committee for approval of the healthy vending criteria for the next Request for Proposal (RFP).

City Council Decision of July 19, 20, 21 and 26, 2005, item EDPC Report 7, Item 14 (<http://www.toronto.ca/legdocs/2005/agendas/council/cc050719/cofa.pdf>)

Bottled Water Ban

City Council at its meetings of December 1, 2 and 3, 2008 amended and adopted the recommendations of the report titled "Proposed Measures to Reduce In-Store Packaging, Waste and Litter, Municipal hazardous and Special Waste and Plastic Bottles".

City Council Decision of December 1, 2 and 3, 2008, item PW20.1 (<http://www.toronto.ca/legdocs/mmis/2008/cc/decisions/2008-12-01-cc27-dd.pdf>)

ISSUE BACKGROUND

In 2005 Parks, Forestry and Recreation issued a Request for Proposal for the Operation of Beverage Services for Cold Drink Vending Machines and Pouring Rights. At the conclusion of the RFP process, Pepsi Bottling Group was awarded the Licence Agreement. Upon adoption of the Pepsi Bottling Group's successful bid, City Council at its meetings of July 19, 20, 21 and 26, 2005 amended the recommendations by including a clause to address healthy vending in the criteria for the next RFP for the Operation of Beverage Services for Cold Drink Vending Machines and Pouring Rights.

Council recommended that the General Manager of Parks, Forestry and Recreation report back to Council through Committee and prior to tender, on the criteria for the RFP to address the option of:

1. Providing 100% juice, water and milk in vending machines; and

2. with the exception of water, providing products that will not be delivered in a serving size greater than 250 ml.

The current Licence Agreement will expire after October 31, 2010. The scope of the upcoming RFP will include provisions for a healthier approach to cold drink vending at Parks, Forestry and Recreation (PFR) facilities.

COMMENTS

The products classified as healthy beverages are limited to 100% fruit or vegetable juices, low fat and non-fat milk products (2% M.F. or less), fortified soy beverages and unflavoured water where permissible (due to the bottled water ban, water will not be allowed in PFR vending machines after December 31, 2011).

The recommended healthy cold drink vending criteria for the upcoming RFP focuses on the phasing out of all unhealthy beverages after four years. Parks, Forestry and Recreation vending machines will go from the current 50% healthy products to 100% by November 2014. In addition, starting at the commencement of the new Licence Agreement on November 1, 2010, the maximum serving size will decrease from 591 ml to 355 ml. Though Council had recommended a maximum serving size of 250 ml, the minimum size currently available for soft drinks vending is 355 ml. If the industry changes to a smaller serving size for vending machines, PFR will adjust future RFP requirements.

The current serving sizes vary and are available at PFR facilities based on the products indicated in Table 2. There are five different serving sizes, 340 ml, 350 ml, 355 ml, 450 ml, and 591 ml. The majority of PFR vending machines offer beverages of 591 ml in volume.

| Product | Serving Size and Container Type |
|---|---------------------------------|
| 100% Juice and Fruit Drinks | 340 ml - Cans |
| Milk | 350 ml - Bottle |
| Soft Drinks | 355 ml - Cans |
| 100% Juice and Fruit Drinks | 450 ml - Bottles |
| Flavoured and Unflavoured Water, Ice Tea, Soft Drinks and Sports Drinks | 591 ml – Bottle |

Table 2

Bottled Water

The City's ban on the sale and distribution of bottled water at municipal facilities will impact the upcoming Cold Drink Vending RFP. Vending machines at PFR facilities will not be permitted to be stocked with bottled unflavoured water if drinking water is available. If drinking water is not available at a particular recreation facility, the sale and

distribution of water will be permitted until December 31, 2011. Parks, Forestry and Recreation must also ensure that improved accessibility to tap water is available at all facilities by this date in accordance with the policy.

Percentage of Sales

| Beverage Type | Percentage of Sale by Volume at PFR Facilities 2006-2009 |
|----------------------|---|
| 100% Juice | 1% |
| Flavoured Water | 2% |
| Fruit Drink | 6% |
| Ice Tea | 6% |
| Soft Drink | 41% |
| Sports Drink | 30% |
| Water | 12% |
| Milk | 2% |

Table 3

Given that unflavoured water will not be available as a healthy beverage, the fifth year of the Licence Agreement will be particularly challenging when 100% healthy vending will commence. Milk, fortified soy beverages and 100% juices are the only three types of beverages that will be permitted in PFR vending machines effective November 1, 2014. Milk and 100% juices are currently amongst those beverages with the lowest level of sales at PFR facility locations as seen in Table 3. Fortified soy beverages are currently not sold in PFR vending machines.

Healthy Cold Drink Vending in Ontario

Several Ontario municipalities were surveyed to determine the trend in the level of healthy, cold drink vending available at recreation facilities. Table 4 indicates that Markham and Ottawa were the only municipalities surveyed that currently provide 50% healthy, cold drink vending service. Mississauga offers 25% healthy cold drink vending while Hamilton, Milton, Vaughan and Whitby each required no minimum percentage of healthy beverages in vending machines.

Parks, Forestry and Recreation (PFR) currently classifies healthy beverages similarly to the City of Ottawa. Both Mississauga and Markham classify sports drinks, non-carbonated fruit drinks, 100% juices, and milk as healthy beverages. Toronto and the City of Ottawa do not recognize sports drinks and non-carbonated fruit drinks as healthy beverages.

There is no Ontario municipality known to be presently providing 100% healthy, cold drink vending at recreation facilities. Together with the City of Ottawa, Toronto is

presently amongst the leaders in providing healthy, cold drink vending in municipal recreation facilities in the province.

| Municipalities | Minimum Percentage of Healthy Cold Drink Vending Required |
|--------------------------------------|---|
| Markham, Ottawa, Toronto | 50% |
| Mississauga | 25% |
| Hamilton, Milton, Vaughan and Whitby | Healthy Cold Drink Vending Not Required |

Table 4

Toronto Public Health (TPH) recommends that all cold vending machines be stocked with 100% healthy beverages providing 100% juice, milk and fortified soy beverages. TPH also recommended the healthy, cold vending criteria currently used by Parks, Forestry and Recreation.

In March 2010, Health Canada issued a press release which recommends water as the beverage of choice and other alternatives such as 100% juice, milk and fortified soy milk. Healthy Canada also recommended that the consumption of other beverage-like soft drinks should be limited.

http://www.hc-sc.gc.ca/ahc-asc/media/nr-cp/2010/2010_50-eng.php - Health Canada Response to “Caffeine in Juice, Bad Move”

Parks, Forestry and Recreation (PFR) have offered a variety of cold beverages in vending machines stocked with 50% healthy products since November 2005. The recommendations in this report will see PFR continue to lead the way in the delivering the highest standard of healthy, cold drink vending across the country.

CONTACT

Ann Ulusoy, Director, Management Services, Tel: 416-392-8180, Fax: 416-397-4899, Email: aulusoy@toronto.ca

Doug McDonald, Manager, Business Services, Tel: 416-392-8578, Fax: 416-392-3355, Email: dmcdona0@toronto.ca

SIGNATURE

Brenda Patterson
General Manager, Parks, Forestry and Recreation